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17 July 1970

Project No. 51.5567

Economic and Military Reconstruction in North Vietnam
During May 1970

Introduction

This monthly report reviews developments in the reconstruction of fixed military facilities and industrial plants and new construction activities that are pertinent to North Vietnam's continuing support of the war and to economic recovery.

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POL Pipeline

1. [REDACTED] construction of the pipeline system in the area northeast of Haiphong. Intermittent construction has been observed over a distance of about 30 miles westward from Hon Gai, but it is not yet possible to determine how far west the line will extend. At least one terminal at the eastern end apparently will be located at Va Chai, a damaged naval base and shipyard across the bay from Hon Gai. Deep water is available near the terminal, but the tanker mooring facilities and the channel improvements which will be needed before petroleum can be discharged directly from the tankers into the pipeline system have not yet been observed. [REDACTED]

[REDACTED] will have sufficient capacity to accommodate all of North Vietnam's annual petroleum supplies normally imported in bulk by tanker. The type of construction involved [REDACTED] suggests that the system will be a permanent oil transport medium, designed to provide an alternative to the current oil import procedure at Haiphong.

Industrial Reconstruction

2. Limited production has resumed at the Thai Nguyen Iron and Steel Complex in North Vietnam, after a three year hiatus brought about by US airstrikes. The start of operations at both the blast

furnace and the coke plant [REDACTED]
[REDACTED]

[REDACTED] The steelmaking facilities had not been completed before the initiation of the bombing program and are not expected to be operational for some time. The capacity of the single operational blast furnace exceeds the needs of the domestic economy, and it is expected therefore that exports of pig iron will resume in the near future. Japan probably will be the principal buyer as in earlier years, but it is doubtful that foreign exchange earnings will be significant.

3. The Iron and Steel Complex was Communist China's most sophisticated and costly contribution to North Vietnam's industrial program, but there is no evidence that the Chinese have been helping with the reconstruction of the bomb damaged facility since October 1966. The steps necessary to restore the currently operational blast furnace were well within the technical competence of the North Vietnamese. Further reconstruction, however, would probably require outside assistance.

4. Upgrading of North Vietnam's electric power industry continued but no new generating capacity was put into operation. The Hon Gai powerplant was observed to be shutdown, probably to accommodate more extensive repairs. In June, the first signs were noted of reconstruction activity on the Haiphong East powerplant since the plant was

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25X1

destroyed in the spring of 1967. This will bring to twelve (out of thirteen) the number of powerplants on which repair of bomb damage has been undertaken.

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Agriculture

6. The 5th-month crop which contributes about one-third to the country's annual domestic rice output was apparently harvested on schedule. Press reports early in the year indicated that the 1970

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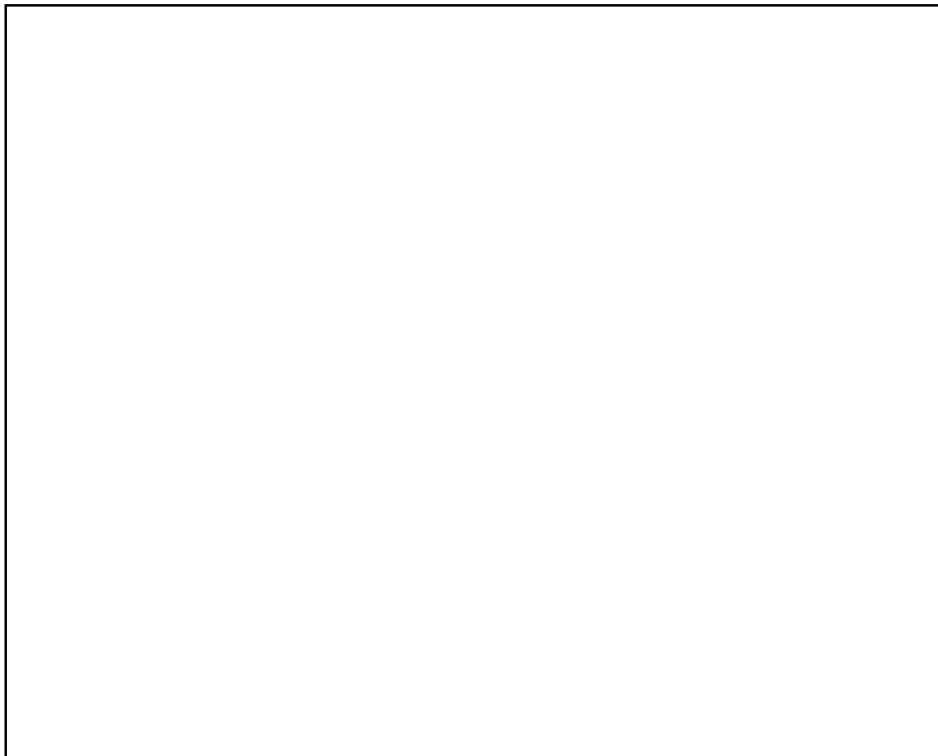
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harvest would be about two weeks late because of adverse weather conditions and by 10 June only one-third of the harvest had been completed. However, the regime apparently was successful in mounting a massive manpower mobilization drive and by 25 June it was announced that 90 percent of the harvesting had been completed, thereby bringing the harvest up to schedule. The yield, however, was described as only "satisfactory", suggesting that the output was not sufficient to preclude the continuing need for food imports well in excess of pre-bombing levels.

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10. Construction efforts continued at the western end of the new extension of the Chamber of Commerce wharves. Pile driving activity for the outer quay wall was extended to a point in front of the Hospital Wharf. Dismantling of the latter facility has apparently been discontinued to facilitate land fill operations, which have been expanded to the eastern end of the wharf. The new quay's rail lines, only recently connected to the port area's existing rail network, allow the North Vietnamese to off-load cargo directly

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25X1

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from the docked ships onto rail cars by using their portal jib cranes, three of which are in operation and a fourth is being assembled.

11. Relations with other Communist countries during the month were highlighted by the signing of supplementary military and economic aid agreements with the USSR and with East Germany. No details were released as to volume and type of aid by either Moscow or Pankow, although it was announced that German aid was to be nonrefundable. These supplementary aid agreements and the similar aid agreement signed with Communist China last May are not expected to change significantly the current Communist assistance program.

12. A Swedish Red Cross delegation departed Stockholm in late June for Hanoi to discuss future Swedish aid to North Vietnam. The Red Cross has a \$6.8 million appropriation from the Swedish government for the purchase of humanitarian aid for North Vietnam, but only \$2.2 million has so far been earmarked. The form that the remaining \$4.6 million will take is a major topic to be discussed; paper and chemical fertilizer have been the main commodities mentioned.

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Conclusions

13. There were no military developments of significance, within North Vietnam during the month of June, and only slight improvement was noted in some sectors of the economy. Work continued on the POL pipeline emanating from Hon Gai, but the western terminus has yet to be determined. When completed, the line should provide a more efficient means of off-loading POL than is currently available.

14. [REDACTED]

[REDACTED]

[REDACTED] Pig iron production was resumed at Thai Nguyen Iron and Steel Complex for the first time in three years. [REDACTED]

[REDACTED]

[REDACTED] Elsewhere in the economy, the regime has reportedly harvested the 5th-month rice crop on schedule, but the output is apparently not sufficient to reduce Hanoi's dependence on a continuing high level of imported foodstuffs.

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Next 2 Page(s) In Document Exempt

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